



Performance Audit  
Building Fund (Measure E)  
June 30, 2020  
**Palm Springs Unified School District**

**PERFORMANCE AUDIT**

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Performance Audit  
Building Fund (Measure E)  
June 30, 2020

# Palm Springs Unified School District



## Independent Auditor's Report on Performance

Governing Board and  
Citizens Oversight Committee  
Palm Springs Unified School District  
Palm Springs, California

We were engaged to conduct a performance audit of the Palm Springs Unified School District (the District) Building Fund (Measure E) for the year ended June 30, 2020.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution and Appendix A contained in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* issued by the California Education Audit Appeals Panel. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The results of our tests indicated that the District expended Building Fund (Measure E) funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

This report is intended solely for the information and use of the District, and is not intended to be and should not be used by anyone other than this specified party.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Rancho Cucamonga, California  
January 29, 2021

### **Authority for Issuance**

The Measure E Bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The Bonds are authorized to be issued by a resolution adopted by the Board of Supervisors of the County on November 3, 2009 (the Resolution), pursuant to a request of the District made by a resolution adopted by the Board of Education of the District on October 13, 2009.

The District received authorization at an election held on February 5, 2008, to issue bonds of the District in an aggregate principal amount not to exceed \$516,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2008 Authorization). The Bonds represent the first, second, third, and fourth series of the authorized bonds to be issued under the 2008 Authorization. There is a remaining balance of \$216,460,965 in authorized and unissued bonds.

### **Purpose of Issuance**

The net proceeds of the Bonds and any other series of general obligation bonds issued under the Authorization will be used for the purpose specified in the District bond proposition submitted at the Election, which include the repair and replacement of lighting and electrical systems, heating, air and ventilation systems, flooring, roofs, windows, wall systems, plumbing, painting, fixtures, communication, bell and fire alarm systems, security systems, fencing, site improvements, walkways, parking lots, landscaping, athletic facilities, and handicap accessibility improvements.

"To repair and renovate every high school in the District, relieve student overcrowding by building and acquiring high schools and classrooms throughout the District and become eligible for State matching funds, shall Palm Springs Unified School District issue \$516 million of bonds at the lowest possible interest rates provided spending is annually reviewed by an independent citizens' oversight committee, no money is used for administrative salaries and all funds are spent locally and not transferred to the State."

### **Authority for the Audit**

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools, and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55% of the electorate. In addition to reducing the approval threshold from two-thirds to 55%, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in *Education Code* Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

2. The school district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the school district to appoint a Citizen's Oversight Committee.
4. Requires the school district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

### **Objectives of the Audit**

1. Determine whether expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure E.
2. Determine whether salary transactions, charged to the Building Fund were in support of Measure E and not for District general administration or operations.

### **Scope of the Audit**

The scope of our performance audit covered the period of July 1, 2019 to June 30, 2020. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2020, were not reviewed, or included within the scope of our audit or in this report.

### **Methodology**

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2020, for the Building Fund (Measure E). Within the fiscal year audited, we obtained the actual invoices, purchase orders, and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure E as to the approved bond projects list. We performed the following procedures:

1. We identified expenditures and projects charged to the general obligation bond proceeds by obtaining the general ledger and project listing.

2. We selected a sample of expenditures using the following criteria:
  - a. We considered all expenditures recorded in all object codes, including transfers out.
  - b. We considered all expenditures recorded in all projects that were funded from July 1, 2019 through June 30, 2020 from Measure E bond proceeds.
  - c. We selected all expenditures that were individually significant expenditures. Individually significant expenditures were identified as individual transactions (expenditures) that exceeded approximately two percent of the total expenditures incurred.
  - d. For all items below the individually significant threshold identified in item 2c, judgmentally selected expenditures based on risk assessment and consideration of coverage of all object codes, including transfers out, and projects for period starting July 1, 2019 and ending June 30, 2020.
3. Our sample included transactions totaling \$12,027,590. This represents 70% of the total expenditures of \$17,180,667.
4. We reviewed the actual invoices and other supporting documentation to determine that:
  - a. Expenditures were supported by invoices with evidence of proper approval and documentation of receipting goods or services.
  - b. Expenditures were supported by proper bid documentation, as applicable.
  - c. Expenditures were expended in accordance with voter-approved bond project list.
  - d. Bond proceeds were not used for salaries of school administrators or other operating expenses of the District.
5. We determined that the District has met the compliance requirement of Measure E if the following conditions were met:
  - e. Supporting documents for expenditures were aligned with the voter-approved bond project list.
  - f. Supporting documents for expenditures were not used for salaries of school administrators or other operating expenses of the Districts.

## **Conclusion**

The results of our tests indicated that, in all significant respects, the Palm Springs Unified School District has properly accounted for the expenditures held in the Building Fund (Measure E) and that such expenditures were made for authorized Bond projects.

Palm Springs Unified School District  
Building Fund (Measure E)  
Schedule of Findings and Questioned Costs  
June 30, 2020

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None reported.

Palm Springs Unified School District  
Building Fund (Measure E)  
Summary of Schedule of Prior Audit Findings  
June 30, 2020

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There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.